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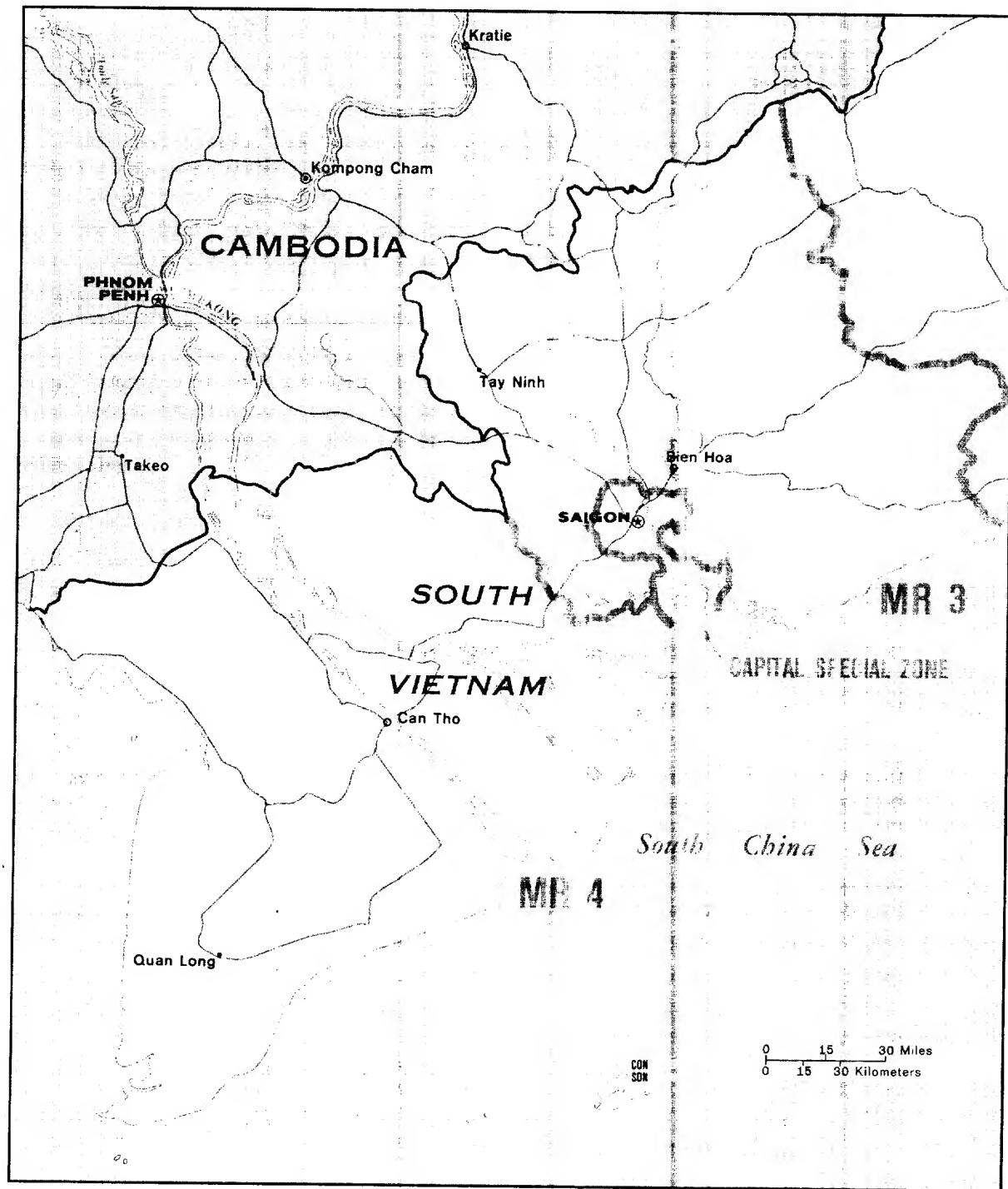
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SOUTH VIETNAM: The Communists reportedly are planning to continue the currently intensified level of military action around Saigon for several weeks.

There has been an upsurge in attacks against government munitions and storage facilities in the Saigon area during the past few days.

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[redacted] the Communists hope to continue these low-cost sapper-type assaults, and [redacted] the plans include infantry attacks against important government facilities and population centers northwest of the capital just prior to a cease-fire.

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[redacted] Tay Ninh City, the main administrative center in this area, is included as a primary target in these plans. Any significant attack on this important provincial capital would necessitate a substantial reinforcement of Communist units in Tay Ninh Province.

South Vietnamese military commanders have recently expressed some concern about the level of enemy action in MR 3 and the possibility of intensified enemy attacks in the near future. The government's regional commander, General Minh, expects that the Communists will make determined attacks instead of breaking down their units into small and more vulnerable elements as they did in late October. Through this strategy they would hope to capture a few population centers and prevent the residents from leaving. They may believe the presence of the populace would inhibit the use of friendly firepower and thus hamper government efforts to retake the centers.

Despite such plans, Communist military units in MR 3 do not appear strong enough to inflict serious losses on the government over the next few weeks. They are capable of continuing artillery fire and sapper raids against a wide variety of government targets, and they could possibly overrun some smaller population centers.

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SOUTH VIETNAM: President Thieu's Democracy Party, intended to be his main political vehicle for countering the Communists, is about to make its public bow.

The party has filed the necessary papers and has been granted permission to operate. Senator Nguyen Van Ngai, one of the party's chief organizers, has informed US Embassy officers that provincial-level party chapters will begin holding inaugural ceremonies this weekend. Such ceremonies will continue until February when a national party convention will be held.

The Democracy Party seems designed more to strengthen Thieu's position with groups already sympathetic to the government than to broaden his popular support. Recruiters have been active for more than a year, chiefly among civilian officials and military officers throughout the country. They have been successful in signing up members, but the depth of commitment of some of the recruits is doubtful. Some have admittedly joined to avoid harassment or to advance their careers. Many high-level military officers have joined, but several senior commanders reportedly have refused because they believe that the military should not be oriented toward any party. Nevertheless, Thieu believes that a tighter organization of sympathetic government elements will enhance the effectiveness of his regime in postwar competition with the Communists.

Leaders of some of the country's established parties have displayed concern over the inroads that Thieu's party is making among their own supporters, and this concern could be heightened now that the government party is formally getting off the ground. Many of these politicians probably would be receptive to cooperating with or even merging into the Democracy Party if Thieu would give them a significant role. Thus far, the President and his lieutenants have made only a few

half-hearted attempts to bring political leaders outside the administration into the fold. Thieu holds most of the country's politicians in low esteem, and he may feel they would not benefit his party enough to warrant making any concessions. He may also believe the party will operate more effectively with a relatively disciplined following of officials and army officers.

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USSR-EGYPT: The low profile of the Soviet military presence in Egypt and the Kremlin's procrastination on scheduling a summit meeting indicate that relations between Moscow and Cairo are more formal than friendly.

The deputy chief of the Soviet Foreign Ministry's Near East Division recently described relations with Egypt as normal and businesslike "but without kisses." In a conversation with a US diplomat, he said that Moscow had restated its policy in clear terms during Premier Sidqi's visit in October, and that the Egyptians were now convinced that Moscow is firmly opposed to providing the sophisticated weaponry Cairo had requested. The Soviet official claimed that the Sidqi visit "solved all problems," thus obviating the need for a summit meeting.

From the Egyptian point of view the Sidqi visit did not "solve all problems," and Cairo will probably continue to press for more military assistance at every opportunity. The Soviets, however, are obviously unwilling to give them any openings, particularly in the framework of high-level contacts, and do not appear too unhappy with the current state of play with Cairo. Egyptian ports are still available to the Soviets. In addition, Soviet-Egyptian frictions have not impaired Moscow's relations elsewhere in the Middle East.

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WEST GERMANY: High on the order of business for the newly formed government will be the continuing fight against inflation, according to Chancellor Brandt's opening speech to the lower house of Parliament.

The cost-of-living index, which figured prominently in the recent election, still stands 6.4 percent above the level of a year ago. Shortages of some foodstuffs as well as the improved business climate have accelerated price increases. A rapid rise in industrial orders--primarily from abroad--has spurred domestic companies to expand employment and renew investment spending.

As in the past, effective action against inflation will have to come from the Bundesbank. The controls over foreign capital imposed last summer have reduced the inflow of foreign funds, but the money supply is still rising rapidly. In an attempt to slow down excessive credit extension, the bank recently raised its discount rate and the associated rate for advances against securities. Beyond that, the monetary authorities are considering a cut in the commercial banks' rediscount quotas effective next February. The bank has also again appealed to the government to adopt firm economic policies in line with its own efforts.

Brandt's speech, however, indicates that the government prefers to rely primarily on exhortation. Falling back on his authority as newly elected head of government and his personal standing with union leaders, Brandt made an unprecedented appeal to labor to hold down wage demands in present bargaining rounds. In fact, West Germany's largest union--I. G. Metall--has scheduled a late-December strike vote in the North Rhine-Westphalia iron and steel industry, where bargaining broke down after employers met an 11-percent wage demand with an offer of only half that.

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The Chancellor also called on business and industry to exercise restraint in pricing policy. He praised the 1973 budget, scheduled for completion in February, as his administration's contribution to the stabilization effort, although it probably will increase federal spending by 10.5 percent.

The speech ended speculation regarding the future of the "Superministry." Helmut Schmidt, until now the economics and finance minister, remains as finance minister with responsibility for domestic and international monetary issues, a function previously reserved to the Economics Ministry. The new economics minister will be Free Democrat Hans Friderichs. With economic decision-making left primarily to the Social Democrats who are committed to a full-employment philosophy, it is unlikely that the Brandt government will develop an effective anti-inflationary program.

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FINLAND: President Kekkonen's announcement that he no longer feels obligated to continue in office may be a move designed to break the inter-party deadlock over Finland's signing the EC treaty and critical domestic economic issues.

After a special meeting with opposition Conservative Party leaders at which a Social Democratic proposal to extend the President's term was rejected, Kekkonen issued a letter indicating that he felt released from his promise to continue as president if necessary. He claimed the situation had changed since he made the promise last April and cited the recent leak to the press of classified information concerning his talks with Soviet leaders last August as the main factor. According to a press report, the letter claimed that the President felt he had "lost Soviet confidence" as a result of the leak.

Although no opponent would stand a chance against him, he is probably reluctant to campaign again because of the public criticism that would emerge. Kekkonen may also be depressed over stalled inter-party negotiations on several pressing issues as well as by criticism of proposed constitutional changes.

Few in Helsinki believe that Kekkonen seriously intends to step down when his term expires in 1974.

[redacted] the 72-year-old President is almost certain to remain in office after 1974. In the meantime, however, the government must act decisively on the EC treaty and attendant domestic economic measures. The expanded EC will come into force on 1 January, and Kekkonen probably would like to have the EC issue generally resolved before he visits Moscow on 21 December. If his "threat" not to continue in office fails to evoke concessions among the parties, government stability will be severely tested.

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UGANDA: The country's British community is braced for President Amin's imminent announcement of his "drastic decision" on the British presence in Uganda.

Amin, who has kept up a steady stream of anti-British statements, has scheduled a meeting on 18 December with 200 representatives of the 3,500-member British community. Although Amin still may not have decided on specific measures, he clearly plans a major move against the British whom he has described as "imperialists" who are "milking the country." This could involve the expulsion of some or perhaps all British nationals and the take-over of at least some British firms and other property. The President may not be prepared to initiate a complete break with London, but he may try to push the UK into making such a move.

The British, for their part, appear resigned to at least a diminution of their presence. London recently announced the cancellation of a \$24-million loan and the cessation of supplements to the salaries of some 800 British technicians under contract to the Kampala government. Many British families have been packing their effects in recent days, expecting the worst.

Amin's announcement could prompt undisciplined troops to move against Britons or other white residents. However, since the ill-fated invasion by Ugandan guerrillas from Tanzania last September, the army appears to have directed most of its brutality against black Ugandans, especially those Amin considers a threat, while avoiding incidents with Europeans. The deadline for the Asian exodus and the registrations of remaining Asians and European missionaries passed without major incidents.

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If Amin breaks completely with the UK, he probably will soon be in need of new scapegoats, and he might turn on the approximately 700-member American community. He has strongly attacked the US in the past. However, the President, who often gives some warning of impending decisions, has had some unusually kind words for the US lately. He also plans to recruit US doctors and teachers for service in Uganda, and he has not included the US in the growing list of countries charged with "sabotaging" the Ugandan economy.

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ANGOLA-ZAIRE: The two major rival Angolan liberation movements signed a reconciliation agreement in Zaire on 13 December. Despite this outward show of cooperation, an effective and united struggle against Portuguese control of Angola remains remote.

Under the prodding of President Mobutu Sese Seko, who promoted a reconciliation in principle last June, the two movements agreed to establish a Supreme Council for the Liberation of Angola (SCLA). Holden Roberto, president of the Zaire-based Angolan Revolutionary Government in Exile (GRAE), is president of the council. Agostinho Neto, president of the Popular Movement for the Liberation of Angola (MPLA), which operates out of Congo and Zambia, is vice-president. The GRAE will head the council's political committee and the MPLA, the more effective of the two insurgent organizations, will head the military command. The headquarters of the Supreme Council will be in Kinshasa.

On paper at least, the new accord satisfies long-standing demands by the Organization of African Unity (OAU) for a united front in Angola. In practical terms, however, the SCLA is likely to need a long shake-down period. Both parties suffer from internal disputes over leadership and tactics, and neither the moderate GRAE nor Mobutu trusts the Marxist-oriented and Communist-supplied MPLA. With both liberation movements represented equally within the Supreme Council, the potential for continued disagreement remains strong.

The ultimate success of the reconciliation rests in large part with President Mobutu, who is motivated by a strong desire to become one of Africa's leading spokesmen. Mobutu will probably attempt to maintain authority over the SCLA by controlling the purse strings and flow of arms, although how much control he will have over the MPLA's main area of operations from Zambia remains questionable. Mobutu is likely to find himself

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under increasing pressure to ensure the success of the new organization. On the other hand, he will have to take into consideration his relations with the Portuguese. Heretofore, Mobutu and the Portuguese have shared a tacit understanding that Mobutu would restrict GRAE operations and the Portuguese would not retaliate against Zaire. Now, however, if the merger leads to stepped-up operations, the Portuguese may feel constrained to shut down Zaire's important rail outlets through neighboring Angola.

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